

MINUTES
OF THE
PERSONAL SERVICES CONTRACT
REVIEW SUBCOMMITTEE

January 13, 1998

The Personal Services Contract Review Subcommittee met on Tuesday, January 13, 1998 at 10:00 AM, in Room 125 of the Capitol Annex. Representative Marshall Long, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Marshall Long, Chairman; Senators Barry Metcalf, Denny Nunnelley, and Eck Rose; and Representatives Jesse Crenshaw, Drew Graham, and Bob Heleringer.

Guests: John Cubine, Scott White, Bob Bullock, Lorrie Calvert, Brigitte Pregliasco, Donald Bowling, and Dale Ramsay.

LRC Staff: Michael Meeks, Joseph Hood, and Nancy Smith.

A motion was made by Representative Graham and seconded by Representative Crenshaw to approve the Minutes of the December 9, 1997, meeting. The motion passed unanimously.

Representative Long, after speaking with Ken Clevidence at the University of Kentucky, withdrew his objections to the following contracts on the pulled list, thereby placing the contracts back on the Routine List, on the condition that the university make a presentation next month to the subcommittee and explain how the rates were derived:

Curry - Wille & Associates, PS# A981170, and Fitzsimons Office of Architecture, PS# A981220.

A motion was made by Representative Crenshaw and seconded by Senator Metcalf to approve the contracts on the Routine List. The motion passed unanimously.

A motion was made by Representative Graham and seconded by Senator Metcalf to approve the amendments on the Amendment List. The motion passed unanimously.

The following ROUTINE contracts
were APPROVED:

AGRICULTURE:

Commonwealth Technology, 980806.

ATTORNEY GENERAL,

OFFICE OF THE:

Coopers & Lybrand, 980818.

AUDITOR OF PUBLIC ACCOUNTS:

Deloitte & Touche, 980851; Thomas O'Connor, 980860.

COMMISSION ON WOMEN:

Paula Jull, 980854.

EASTERN KENTUCKY UNIVERSITY:

Mary Boaz, 98-042; ComNet Marketing Group, 98-04; Life Space Crisis Intervention Institute, 98-043.

FINANCE & ADMINISTRATION

CABINET - Facilities Management:

Staggs & Fisher Consulting Engineers, 985018.

FINANCE & ADMINISTRATION

CABINET - Real Properties:

Chapman & Bell, 980817.

FINANCE & ADMINISTRATION

CABINET:

Deloitte & Touche, 980886.

HEALTH SERVICES,

CABINET FOR:

Medical Doctors Associates Inc., 980840; Volinda Walters, 980878; MULTI - Impact Plus Providers, 980477; Barbara Knox, 980879; Carol Bolt Baker, 980744.

INSURANCE,

DEPARTMENT OF:

Coopers & Lybrand, 980868; Chauvin G. Alleman, 980873.

JUSTICE CABINET -
DEPARTMENT OF
JUVENILE JUSTICE:

Institute for Family Centered Services, 980801; YMCA Safe Place Services, 980839.

JUSTICE CABINET,
DEPARTMENT OF CORRECTIONS:

Reed, Weitkamp, Schell, Cox & Vice, 980853; Lisa Sanford, 980869; Dr. Allen O. Oladinni, M.D., 980844.

KENTUCKY EDUCATIONAL
TELEVISION:

Richard Maxson, 980871; Darin Carr, 980872.

KENTUCKY HEALTH
PURCHASING ALLIANCE:

Gayle Pearce, 980885.

KENTUCKY LOTTERY
CORPORATION:

Information Processing Company, 98-98-086; Battelle Memorial Institute, 98-98-115; Bearden Group, 98-95-060.

KENTUCKY VETERANS
CENTER:

Associated Pathology Laboratories, 980273.

KENTUCKY BOARD OF
MEDICAL LICENSURE:

Peter Hasselbacher, MD., 980771; L. Douglas Kennedy, 980816.

MINES & MINERALS,
DEPARTMENT OF:

Michael Sanders, Oil & Gas Exploration, 980745.

MOREHEAD STATE UNIVERSITY:

Timothy Mahr, 98-056; MULTI (Band Clinic), 98-057.

PERSONNEL CABINET:

Hay Management Consultants, 980880.

PUBLIC ADVOCACY:

Phillip Taliaferro, 980884.

PUBLIC SERVICE COMMISSION:

PlanGraphics, Inc., 980782.

REVENUE CABINET:

The Mitre Corporation, 980882.

TRANSPORTATION CABINET:

J. M. Crawford & Associates, Inc., Ag# 369798; Johnson, Depp & Quisenberry, Ag# 449798; Ag# 439798; PDR Engineers, Inc., Ag# 419798; Brighton Acquisition Services, 971408; John S. Bailey, 971334; Wilbur Smith Associates, Ag# 469798; Bernardin, Lochmueller & Associates, Ag# 239798; American Consulting Engineers, PLC, 971330; Ag# 319798; 971409; Presnell Associates, Inc., Ag# 379798; Robert L. Karsner, 971333; TRW, Inc., Ag# 459798.

UNIVERSITY OF KENTUCKY:

Curry - Wille & Associates, A981170; Desman Associates, A981210; Fitzsimons office of Architecture, A981220; Grenzebach, Glier & Associates, Inc., K98-152.

UNIVERSITY OF LOUISVILLE:

RE/MAX Commercial Brokers, 98-25.

The following AMENDMENTS
were APPROVED:

AGRICULTURE:

Kentucky Food Bank, 980283; God's Pantry Food Bank, 980491; Dare to Care Food Banks, 980490.

EDUCATION, DEPARTMENT OF:

Bill Rideout, 980650; Wandel Strange, 980583; Mike King, 980466; Conely Manning, 980581; Fred Williams, 980578.

FAMILIES & CHILDREN,

CABINET FOR:

Lincoln Trail Domestic Violence Program, Inc., 980231.

FINANCE & ADMINISTRATION CABINET:

Berst Engineering Service, Inc., 980798.

FINANCE & ADMINISTRATION

CABINET - Facilities Management

(Finance / Engineering):

CMW, Inc., 975006; Preston Associates Architects, 965030; Arch II Inc., & Associates, 965008; Patrick D. Murphy Co., Inc., 955072; Collignon & Nunley, Architects, 955055; Smith Architecture, 955038; Quest Engineers, Inc., 955019; Potter & Cox Architects, 965027.

HEALTH SERVICES, CABINET FOR:

First Steps, KY's Early Intervention Program, 980493.

KENTUCKY EDUCATIONAL

TELEVISION:

Randy Rosenbalm, 980791; Brian Yesowitch, 980255; Roger M. BonDurant, 980254; John B. Schroering, 980789.

KENTUCKY LOTTERY

CORPORATION:

MULTI (Advertising Production), 98-100.

KENTUCKY REAL ESTATE

APPRAISERS BOARD:

M. Wilson & Associates, 980116.

LEGISLATIVE RESEARCH COMMISSION:

Coopers & Lybrand, LLP, 98-13.

MURRAY STATE UNIVERSITY:

MULTI (Skill Training Services/Steve Simmons), 016-98-2.

OFFICE OF THE GOVERNOR:

Lee Cowherd, 980698.

TOURISM CABINET:

Creative Alliance, Inc., 980024.

TRANSPORTATION CABINET:

James E. Tramel, 002176; R. F. Link, SRPA, 7293; Walton & Vance, 60889; T70773; George K. Cox, 7525; Palmer Engineering Co., Ag# 229293; Ag# 229091; Carl J. Bensinger & Associates, 60888; T70759; William L. Berkley, 02111; Darval E. Rash, 12021; George Joseph Hays, 5363; Taustine, Post, Stosky, Fineman, Berman & Kohn, 03079; T70772; Dixon Nunnery, 5374; Tom Waldrop, 10329; Burgess & Niple, Limited, Ag# 549394; Skees Engineering, Inc., Ag# 399394; Frost & Jacobs, 960891/03941; T70765; Commonwealth Technology, Inc., Ag# 169394; A. D. Pyles Consulting Engineers,

Ag# 029293; Balke Engineers, Ag# 629293; Reynolds, Johnston, Hinton, Thomas & Potter, 60899; 70919; Wicker & Associates, T960901; 70774; HNTB Corporation, Ag# 309697 / 970120; Ag#309697 / 970922; Borowitz and Goldsmith, T960903; T70760; Wilbur Smith & Associates, Ag# 189697; Gary Endicott, 70297; PDR Engineers, Inc., Ag# 149192; Johnson, Depp & Quisenberry, Ag# 559596; Hazelrigg & Cox, T70766; T960892; Baker Engineering Unlimited, Inc., Ag# 199495; Wyatt, Tarrant & Combs, T70777; 60914; J. C. Grabeel, 13218; T.H.E. Engineers, Ag# 739293; Todd Hollenbach & Associates, 70920; Willie Prater, 5373; American Consulting Engineers, PLC, Ag# 219596; Robert E. Knight, 05364.

Chairman Long stated that Mr. John Cubine, Bob Bullock, and Scott White, Office of the Attorney General, requested to address the committee. Mr. Cubine stated that the memorandum to Michael Meeks, dated January 8, 1998, would explain what the Attorney General's situation. Mr. Cubine stated that the Attorney General's Office filed suit against Anthem Blue Cross - Blue Shield last year to recover charitable assets on behalf of the Commonwealth. Since that time, the Attorney General's Office has determined that for some very specific parts of that litigation, some outside expertise was needed. Seven firms in Kentucky were identified that had the possible expertise needed; five of those firms had conflicts, and proposals were taken from two firms. Due to the nature of the litigation, and the confidentiality of it, the Secretary of Finance was asked for certification as a soul source even though proposals were taken. There was a five person evaluation committee that looked at the contracts. The litigation is filed, and there is an emergency effective date of January 6, 1998, however, no payments will be made under the contract until sometime in March. It is a fixed fee contract for a defined scope of work. The firm does not get paid until the work is completed and the contract will be for \$43,500.00 for the defined scope of work. The Attorney General wanted to come before the committee to explain this contract so when the contract is filed next month with an emergency effective date, the members would have advanced notice. Senator Metcalf asked about the charitable assets involved in the lawsuit. Mr. White stated in excess of \$200 million dollars is the low valuation, however there will be an argument on the issue of whether to value the amount of their reserves at the time of the merger in '93 or whether to value the entire corporation as a going concern which could increase the total value to \$700 million dollars. Senator Metcalf asked if Blue Cross - Blue Shield were operating as a for profit industry or as a charitable entity when it accumulated this money. Mr. White stated that up until 1993 Blue Cross - Blue Shield operated as a non-profit, but up until 1986, they operated as a non-profit hospital medical service corporation under the insurance code. Then Blue Cross - Blue Shield converted to a mutual company in 1986 but retained their non-profit purposes and that was the nature of their organization in 1993 when they merged with associated insurance companies of Indiana, who was the surviving entity, and that is now Anthem.

Chairman Long directed the members' attention to a letter in the file from the law firm of Tachau Maddox Hovious & Dickens, PLC, concerning a lawsuit with the University

of Louisville. Chairman Long noted that this was an inappropriate forum this type of correspondence.

The following ROUTINE Contracts
were DEFERRED from the December Meeting

UNIVERSITY OF LOUISVILLE
William M. Mercer, 98-24.

Ms. Lorrie Calvert, Mr. Donald Bowling, and Mr. Dale Ramsay, University of Louisville, discussed this contract with the subcommittee. Chairman Long stated that he had pulled the contract because of the secretarial rate of \$85.00 per hour. Ms. Calvert stated that this was not an accurate clerical rate. Chairman Long asked Ms. Calvert if she felt these rates and terms were reasonable. Ms. Calvert stated she was comfortable with the correct rates. Chairman Long then stated that he had received a letter from William M. Mercer stating that these were not clerical rates, that the average hourly billing included two senior level administrative assistants and a technical consulting analyst, who possesses a masters degree. Chairman Long stated that he had spoken to Mr. Mitchell Payne about the contract and Mr. Payne stated that he felt like everything was fine. Senators Nunnelley and Metcalf briefly discussed the hourly rates. Representative Crenshaw then asked if someone was actually make \$375.00 per hour on this contract. Mr. Bowling stated that the Project Director was making \$375.00 per hour. The least senior employees would be doing most of the billing, but would be paid at the lower rates. Senator Nunnelley asked what degree the Project Director possesses. Mr. Bowling stating that the Project Director had a doctorate. Senator Metcalf made a motion to disapprove the contract. The motion failed for lack of a second.

Representative Crenshaw then asked if the people at the bottom were going to be doing most of the work, then what are the people at the top being paid for, at \$375.00 per hour. Mr. Bowling stated that this review is an overview of the classification/compensation program at the University of Louisville. The university purchased this program and implemented it in 1987, so it has been in place for about 10 year. The university uses the vendor's point factor system. The university is asking the vendor to come back in and audit that system to make sure that the university is properly using the tools and the system itself, to look at aggregate salaries within the market, to look at compensation, and to pay policies. Chairman Long restated the options of the subcommittee. A motion was made by Senator Metcalf and seconded by Representative Crenshaw to disapprove the contract. The motion passed unanimously.

Primary Marketing, 98-23.

Ms. Lorrie Calvert, Ms. Brigitte Pregliasco, and Mr. Dale Ramsay, University of Louisville, discussed this contract with the subcommittee. Chairman Long stated that his concern with this contract was that all the information was not in on time. Ms. Pregliasco

stated that it would be helpful if Chairman Long would express his concern with the contract. Chairman Long stated that the contract was deferred because the information was not properly forwarded to the staff before the last meeting. Ms. Pregliasco stated that it was her understanding that it had a wrong date on it. Chairman Long asked how much advertising income comes from this contract. Mr. Ramsay stated that these were electronic message boards that are in the student activity center, the advertising is up on the board, and the vendor anticipates to come in and sell it for \$50,000 for a three year period and the vendor would get 15% of the revenue. Chairman Long stated that the contract has a maximum amount of \$50,000.00, which was placed in the contract to make sure the vendor was covered. Ms. Calvert said yes. Chairman Long then said Primary Marketing would get 15% of whatever income he generates for the messages. Representative Crenshaw asked if he makes nothing, would the university pay him the \$50,000.00. Mr. Ramsay stated that they anticipated that the vendor would sell advertising on the boards for \$50,000.00 and whatever he generates, he will get 15% of the money. Representative Crenshaw asked where the \$50,000.00 would go. Mr. Ramsay stated that it was a figure that the university used and anticipated that he would sell. Senator Metcalf asked if this was the maximum they would get. Ms. Pregiasco stated that the vendor gets nothing but 15% of what he generates. A motion was made by Senator Metcalf and seconded by Senator Nunnelley to approve the contract. The motion passed unanimously.

Chairman Long announced the next meeting is scheduled for Tuesday, February 10, 1998, 10:00 a.m. in Room 125, Capitol Annex.

The meeting adjourned at 10:20 a.m.